

Your Biggest Winner May Also Be Your Biggest Risk

What changes when one investment becomes a significant part of everything you've built.

Most concentrated positions don't start out looking like a problem.

Usually, it's the opposite.

You bought a stock years ago and it took off. Maybe you received shares through work and watched them grow. Or you simply believed in an investment enough to hold on while others sold.

Whatever got you there, you were right.

And now that one investment represents a significant part of everything you've built.

That's a pretty good problem to have.

But eventually, the question changes.

It's no longer just, *how much more can this make me?*.

It's how much of what I've already made am I still willing to put at risk?

The Decision That Made You Wealthy

Let's give concentration some credit.

It can work incredibly well.

If you had sold every share along the way and moved everything into something more "diversified", there's a chance you wouldn't have anywhere near the wealth you have today.

So telling someone sitting on millions of dollars of one stock that they "need to diversify" isn't particularly helpful.

They're heard that before.

And you may still have every reason to believe the stock has room to run.

You know the company. You know the leadership. You may have watched people bet against it for years and be proven wrong.

None of that makes the concentration disappear.

That's the uncomfortable part.

You don't have to believe the stock is going down to recognize that the decision that helped create your wealth may not be the same decision that helps you **protect** it.

Say one position is worth \$5 million.

If it becomes \$7 million, what changes about your life?

Now go the other direction.

If \$5 million becomes \$2.5 million, what changes?

Those answers might look very different.

You May Have More Riding on It Than You Realize

For some people, concentration is simply a large investment position.

For executives and employees, it can go a lot further.

Your salary may come from the same company. So can your bonus. You might have another round of Restricted Stock Units (RSUs) vesting next year, options sitting in the background and years of future compensation still tied to the business.

So while your investment statement might say 40% of your portfolio is tied to one company, that number doesn't tell the whole story.

Your income, career and future compensation may be riding alongside it.

When the company is crushing it, that's a hell of a combination.

When it isn't, everything can get hit at the same time.

That's the part that's easy to overlook.

Then There's the Tax Bill

This is where things get fun.

You've owned the stock forever. Your cost basis is small. And selling enough to actually make a difference could come with a tax bill you'd rather not look at.

Fair enough.

But there's another question worth asking:

If there were no tax consequences, would you still choose to own this much of the stock today?

If the answer is no, taxes may be making more of the investment decision than you intended.

That doesn't mean sell everything tomorrow and send Uncle Sam a thank-you card.

It means taxes are **one** part of the decision.

The timing of sales, future vesting, charitable giving, other gains and losses, retirement and what else is happening in your financial life can all change the picture.

The goal isn't necessarily paying the least amount of tax possible.

It's figuring out what leaves you in the best position when everything is considered.

It Doesn't Have to Be a Breakup

Reducing a concentrated position can feel strangely personal.

This isn't some random stock you bought.

Maybe you worked there.

Maybe you've owned the stock for 25 years.

Maybe you inherited it and there's something sentimental about it.

Selling can almost feel like betting against your own team.

But managing the risk doesn't mean you have to walk away from the stock. Selling some is one option, but there are other ways to manage exposure without simply getting rid of it.

And sometimes, keeping a meaningful amount still makes sense.

The bottom line: You don't have to stop believing in an investment to start protecting what it helped you build.

At Some Point, Shares Stop Being Shares

This is the part that matters most.

A concentrated position might show up on a statement as \$2 million, \$5 million, or \$10 million.

But that's not really what it is anymore.

It's retirement.

A paid-off house.

Your kids' education.

Helping your parents.

Travel.

Or simply reaching the point where you work because you want to, not because you have to.

That's what you're really protecting.

There could be another 20% run left in the stock.

There could be another 100%.

Nobody knows.

And if you have deep conviction in the company, you may believe there's a whole lot more than that.

You might be right.

But once an investment has created life-changing wealth, maximizing every last dollar of upside may no longer be the only thing that matters.

You Don't Need to Predict What Happens Next

Managing a concentrated position doesn't require calling the top.

It doesn't require selling everything either.

There's no magic percentage that suddenly makes a position "too concentrated".

Someone with 50% of their wealth in one stock could be in a completely different position than someone else with 20%.

That's why our team looks at concentrated positions in the context of everything else: what you've accumulated, what else you own, taxes, future income, what you still want to accomplish and what a major decline would actually change.

Sometimes the answer involves selling. Sometimes it involves managing risk differently. And sometimes keeping a meaningful amount of the position still makes sense.

What matters is knowing why you're holding the risk you're holding – and what would happen to your life if you're wrong.

Because the goal isn't to guess where the stock goes next.

It's making sure one investment doesn't get to undo the freedom it helped you create.

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